**Theme:** 1.

**Reading:** Varieties of Capitalism in the Twentieth Century.

**Author:** R. Dore, W. Lazonick and M. O’Sullivan.

**1. Convergence to a dominant mode?**

*From 1920’s to present.*

-Britain and U.S.A. pioneers/conform to.

-Germany/Japan diverge form.

*Reasons:*

-State interference? No.

-Stubborn cultures? No.

\*Ebb and flow? Probably. -1960s: Convergence.

-1980s: Divergence; market forces, institutional investors.

-1990s: Convergence; globalisation effects.

**2. From Managerial Revolution to Great Depression**

*Britain*

1900 -World leader in GDP/Exports.

-Proprietary Capitalism: -Family promotion.

-Little University recruitment.

-No admin. To build organisations.

-Power gap/self-interest.

-Finance: little investment.

*U.S.A.*

1920 -Merger/Acquisition movement (1900) → Stock ownership separated from mgmt.

-Market for Industrial securities/Wall Street floated stocks (led by J.P. Morgan).

-Owner/Managers bought out. Replaced with salaried managers.

-*Public* ownership of shares/less interest and supervision by owners.

-1st Rev: Machine → 2nd Rev: Science → need for educated specialists.

-Anonymity → employee vertical mobility → strong links with universities.

-Welfare Capitalism: Efficiency and Employee welfare worked without Unions.

-Finance: Retained Earnings.

*Germany*

-Educational preparation: Technical/Scientific. → Competitive edge.

-Proprietary Capitalism: more than U.S.A. less than Britain.

-Share ownership: Hired salaried managers.

-Family members recruited had technical training.

-Strong relationship with banks.

-Artisanal communities → Widespread apprenticeships. \*Unique\*

-Welfare: Social insurance pioneers, Works council: give a limited voice.

-WWII build-up, reparations crippled the economy.

→ Consolidation/Rationalization.

→Labour movement.

*Japan*

-Late developer. Industrialisation started around 1875.

-Analysed Western technology and improved them.

-Rapid creation of higher education system/foreign education-experience.

-Developed metal-works by WWI, able to supply Asia due to the War.

-Textiles/Textile machinery.

-19th/20th State investment in armouries, steel, mining, shipbuilding and railways.

-*Zaibatsu*: Privatised state companies.

-Welfare Capitalism: Harmonize-Suppress. *Harmonization Society*: mediators.

**3. Depression, War and Divergent Development**

*U.S.A.*

Depression: →Industrial conflict.

WWII: -Industrial growth/R&D.

Aftermath: -American dominance.

-Rebuilding of Europe: ↑ in Demand, U.S.A. exploited.

Cold War: -R&D.

-Arms build-up: *‘military-industrial complex’*

-Anti-Socialist American politics → Union suppression.

*Britain*

Depression: →Labour Party Victory (1945)

/WWII. -Nationalisations for modernisation.

→Little change to: -Adverse industrial relations tactics.

-Rationalise management structures.

Proprietary Capitalism→Managerial Capitalism.

Salaried managers: -Distanced from technical staff.

-Little power over stakeholders.

*Germany*

WWII: -Pre-war/mid-war efficiency drive.

-Industrial consolidation/Cartelisation of corporations.

-Rationalisation of smaller businesses.

-Post-war intervention by U.S.A.

-Division of cartels.

-Weakening Corporate power.

Cold War: -Unionisation/Employee Welfare

-Corporate supervisory boards/employee representation.

-Formalised wage bargaining systems.

*Japan*

WWII: -Pre-war/mid-war: Socialist approach

-Rationalisation of smaller businesses.

-Military control.

-Zaibatsu managers assassinated.

-Focus on industrial efficiency not personal/shareholder gain.

-Central control: -Resources.

-Appointments to the board.

-Bank loans allocated/stock-market closed.

-Post-war: -Zaibatsu dissolved.

-Executive purge: new/young technical minded executives.

-Stock-market re-opened.

-Industrial disputes → Compromise.

-Income equality/Taxation: ↑ in consumption.

-Managerial developments: Quality Control.

Just-in-time.

Continuous improvement.

**4. The 1960s: The Heyday of Managerial Capitalism**

-Little Interference: -Shareholders/Banks.

-Government.

-Public favour: -Post-war growth: GDP↑

-Unemployment stabilised.

-Distribution of wealth maintained.

-Welfare: -Stable industrial relations.

**5. The 1970s: Surging Inflation and Corporatist Responses**

Oil shock created double figure inflation rates.

Japan: -Union/Employer/Government cooperation.

-Wage bargaining with National interest in mind.

-GDP↑ Costs were lower than competitors.

-Government deficit spending.

Germany: -Formal strike procedure developed.

-Wage increases achieved.

-Union restraint in return.

Britain: -Collective bargaining breakdown.

-Union restraint not achieved.

-3m days lost in 60s to 29m days lost in 70s.

U.S.A: -Inflation: Print money to fund Vietnam war.

-Nixon: Wage/Price freezes failed.

-Oil shock worsened.

-Union power. Absenteeism/low productivity.

Solutions:

-Monetary policy

-Financial deregulation:

-E.R.I.S. Act 1974 amended in 1978.

-Allow pension funds take higher risks.

**6. The 1980s and 1990s**

-Reformation: Reduce worker power: -Recession.

-Legislation.

-British shareholder value movement.

-Labour market liquidised.

Followed in U.S.A.

-Institutional investors: cost-cutting efficiency.

-Top-management income ↑.

Followed in Germany